



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

MARY A. LANNOYE
DIRECTOR

September 6, 2005

The Honorable Shirley Johnson, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending July 31, 2005. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary A. Lannoye".

Mary A. Lannoye
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm
Ken Sikkema, Senate Majority Leader
Craig DeRoche, Speaker of the House
Bob Emerson, Senate Minority Leader
Diane Byrum, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Nancy Cassis, Chair, Senate
Finance Committee

Fulton Sheen, House Tax Policy Committee
Rick Wiener, Executive Office
Tim Hughes, Executive Office
Senate Fiscal Agency
House Fiscal Agency
Mike Moody, Financial Management
Nancy Duncan, Deputy Director
State Budget Office
Internal Office of the State Budget
Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2005
Projected Revenues and Expenditures
July 31, 2005
(\$ in millions)

	FISCAL 2005
Beginning Balance, October 1, 2004	\$ -
Revenues, Current Law:	
Current Year GF/GP Revenues, May 2005 Consensus Estimate	\$ 7,914.7
Adjustments to Consensus Baseline	\$ -
Adjusted Current Year GF/GP Revenue Baseline	\$ 7,914.7
Additional Revenue Adjustments:	
Revenue Sharing Reductions (PA 355 of 2004 and May 2005 Consensus)	\$ 322.2
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 182.3
Sale of Northville (PA 6 of 2002) - deposit funds	\$ 3.0
Interfund Borrowing Rates	\$ 20.0
Judiciary Technology Improvement Fund (PA 466 of 2004)	\$ 1.5
Juror Compensation Fund Balance deposited to General Fund (PA 465 of 2004)	\$ 4.0
Comprehensive Transportation Fund - reduce and lapse to General Fund (PA 544 of 2004)	\$ 10.0
Non-Use of SBT Pharmaceutical Credit	\$ 10.0
General Tobacco Settlement revenue deposited to General Fund	\$ 7.0
Subtotal of Additional Revenue Adjustments	\$ 560.0
Anticipated Revenue Adjustments:	
Proceeds from Land Sales	\$ 58.5
Budget Stabilization Fund - Unreserved Balance	\$ 83.1
Escheats Enforcement	\$ 2.5
Liquor Purchase Revolving Fund additional lapse	\$ 0.9
Total FY Resources Available For Expenditure GF/GP	\$ 8,619.7
Expenditures, Current Law:	
Enacted Post Vetoes	\$ 8,751.0
Enacted Supplemental (PA 468 of 2004)	\$ 0.2
Enacted School Aid Supplemental (PA 518 of 2004)	\$ 99.5
Executive Order 2005-7	\$ (295.0)
Enacted Supplemental (PA 11 of 2005)	\$ 40.0
Enacted Higher Education Supplemental (PA 11 of 2004)	\$ 16.5
Total Enacted	\$ 8,612.2
Anticipated Expenditure Adjustments	
Lapse Building Occupancy Charges - DMB (PA 327 of 2004, sec. 720)	\$ (0.7)
Pending Supplemental (HB 4436)	\$ 1.9
Total Expenditures Projected	\$ 8,613.4
Projected Ending Balance, September 30, 2005	\$ 6.3 ¹

¹ Subsequent to the date of this report, the State Budget Director transmitted to the legislature on August 2, 2005, a supplemental appropriation recommendation of \$135.8 million (\$38.7 million GF/GP) for additional Medicaid spending needs. On August 17, 2005, a special revenue consensus estimating conference was held. Conference participants identified a combined revenue increase of \$69.0 million compared to the May 2005 Consensus Agreement: an increase of \$79.3 million GF/GP; a decrease of \$10.2 million School Aid Fund.

OFFICIAL BALANCE SHEET

SCHOOL AID FUND Fiscal Year 2005 Projected Revenues and Expenditures July 31, 2005 (\$ in millions)

	FISCAL 2005
Beginning Balance, October 1, 2004	\$ 74.1
Current Year School Aid Fund Revenues, May 2005 Consensus	\$ 10,850.5
Adjustments to Consensus Baseline	
Payment in Lieu of Taxes Adjustment (PA 513 of 2004)	\$ (2.0)
Increase Income Threshold to Defer Summer Taxes (PA 24 of 2005)	\$ (4.0)
FY04 Audit Receivables Adjustment	\$ (11.4)
Subtotal, School Aid Fund, Current Year Direct Resources	\$ 10,833.1
Proceeds of Capitalization of the School Bond Loan Fund Revolving Fund (PA 98 of 2005)	\$ 41.1
Appropriation from GF/GP	\$ 165.2
Supplemental Appropriation from GF/GP (PA 518 of 2004)	\$ 99.5
Executive Order 2005-7	\$ (99.5)
	<u>\$ 165.2</u>
Federal Aid	\$ 1,353.6
Total Available SAF Resources	\$ 12,467.1
Expenditures	
Enacted Appropriations PA 351 of 2004	\$ 12,527.5
Executive Order 2005-7 - General Fund Authorization Decrease	\$ (99.5)
Supplemental Appropriation (PA 98 of 2005)	\$ 39.1
	<u>\$ (60.4)</u>
Adjusted Appropriations	\$ 12,467.1
Projected School Aid Fund Ending Balance September 30, 2005	\$ -

SUMMARY OF EXPENDITURES AND ENCUMBRANCES

GENERAL FUND GROSS

July 31, 2005

(\$ IN MILLIONS)

FISCAL YEAR 2003-04

FISCAL YEAR 2004-05

July 2004	Yr-to-date 2003-04	Fiscal Yr end SEP 30, 2004	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc July 2005	Exp & Enc Yr-to-date 2004-05
10.7	75.3	95.7	Agriculture	126.1	0.0	9.5	78.3
5.4	41.4	51.3	Attorney General	62.0	0.1	4.7	47.2
20.1	223.2	252.3	Capital Outlay	0.0	584.5	23.0	257.2
1.3	10.0	12.4	Civil Rights	12.7	0.1	0.9	10.5
2.0	15.7	20.3	Civil Service	35.1	-0.2	2.7	20.2
154.3	1,670.2	1,826.0	Colleges & Universities	1,943.2	-23.7	159.6	1,764.8
800.9	7,764.5	9,342.1	Community Health	9,996.4	306.5	903.6	8,292.3
153.9	1,306.9	1,593.5	Corrections	1,768.7	-17.3	124.5	1,383.5
0.8	59.3	67.3	Education	99.9	2.4	4.8	70.6
19.1	136.7	164.9	Environmental Quality	296.0	3.1	17.7	146.3
0.5	4.3	4.8	Executive Office	5.2	0.0	0.5	4.1
336.2	3,119.6	3,716.2	Human Services	4,287.4	-25.0	341.1	3,335.8
6.0	48.3	54.2	History, Arts & Library	57.1	2.0	11.5	47.3
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
33.1	175.3	208.4	Judiciary	253.2	0.0	26.8	175.7
67.0	566.1	678.1	Labor & Economic Growth	835.8	11.0	82.6	593.0
13.1	103.4	126.5	Legislature	126.7	0.0	10.3	106.9
7.2	123.4	145.8	Management & Budget	156.9	4.3	16.0	126.6
10.3	81.7	97.5	Military Affairs	105.5	2.4	7.9	84.8
6.2	56.3	69.7	Natural Resources	95.0	2.4	3.5	61.7
0.0	0.0	0.0	School Aid	0.0	-99.5	0.0	0.0
17.8	149.2	182.5	State	187.2	0.5	15.8	175.5
40.0	304.3	378.2	State Police	475.8	7.4	34.6	339.6
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
28.7	1,396.0	1,675.9	Treasury	1,520.4	51.6	24.5	1,235.2
\$1,734.6	\$17,431.1	\$20,763.6		\$22,446.3	\$812.9	\$1,826.1	\$18,357.1

*Includes boilerplate appropriations.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2005

July, 2005

(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,456.7	31.5	15,488.2
Total state spending from state resources	25,904.2	263.5	26,167.7
Percentage of state spending from state resources paid to local units	59.67%		59.19%
Required payments to local units (48.97%)	12,685.3		12,814.3
Surplus/(deficit)	\$2,771.4		\$2,673.9

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
OCTOBER 1, 2004 THROUGH JULY 31, 2005
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
Miscellaneous	<u>1,259</u>
Total Revenues	<u>1,259</u>

EXPENDITURES

Current:	
General government	-
Education	-
Family Independence services	-
Public safety and corrections	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues over (under)	
Expenditures	<u>1,259</u>

OTHER FINANCING SOURCES (USES)

Proceeds from Bond Issues	-
Operating transfers from:	
State Lottery Fund	-
Other funds	<u>-</u>
Total operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other	
Sources over (under) Expenditures	
and Other Uses	<u><u>\$ 1,259</u></u> ¹

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES
MICHIGAN STRATEGIC FUND

OCTOBER 1, 2004 THROUGH JULY 31, 2005
(in thousands)

OPERATING REVENUES

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Financing fees	1,274
Other	-
Total miscellaneous	<u>1,274</u>
Total Operating Revenues	<u>1,274</u>

OPERATING EXPENSES

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	0
Total other operating expenses	<u>0</u>
Total Operating Expenses	<u>0</u>
Operating Income (Loss)	<u>1,274</u>

NONOPERATING REVENUES (EXPENSES)

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	149
Other nonoperating revenue	-
Total other nonoperating revenues	<u>149</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	-
Total Nonoperating Revenues (Expenses)	<u>149</u>
Income (Loss) Before Operating Transfers	<u>1,423</u>

OPERATING TRANSFERS

Operating transfers from primary government	-
Operating transfers to primary government	<u>(1,410)</u>
Total Operating Transfers In (Out)	<u>(1,410)</u>
Net Income (Loss)	<u>\$ 13 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
OCTOBER 1, 2004 THROUGH JULY 31, 2005
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>70,279</u>
Total Revenues	<u>70,279</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	2,022
Capital outlay	<u>17,558</u>
Total Expenditures	<u>19,580</u>
Excess of Revenues over (under) Expenditures	<u>50,698</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	92
Operating transfers from other funds	-
Operating transfers to other funds	<u>(10,050)</u>
Total Other Financing Sources (Uses)	<u>(9,958)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 40,740 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable,
accounts payable, etc.

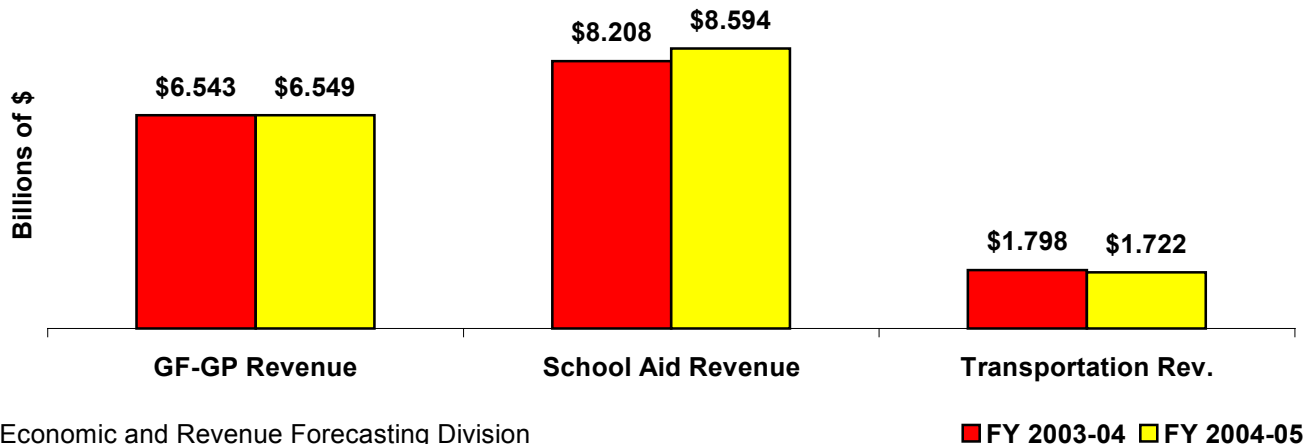
REVENUE OVERVIEW
Economic and Revenue Forecasting Division
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for July 2005, representing some June and some July economic activity in Michigan.

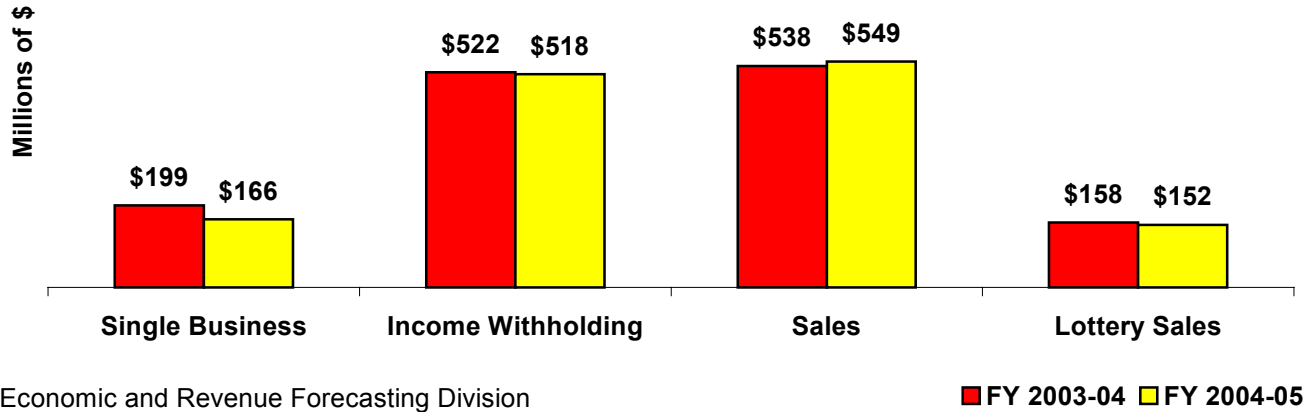
Total General Fund - General Purpose cash collections were \$32.8 million (4.2 percent) lower in July 2005 than in July 2004. The decrease is due in part to the timing of single business tax collections. July School Aid Fund cash collections were \$8.4 million (1.1 percent) lower than in July 2004. July transportation collections were \$3.2 million (1.8 percent) lower than in July 2004 (see revenue table). July is the tenth month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$5.4 million (0.1 percent) from a year ago. Excluding income tax refunds, year-to-date General Fund - General Purpose cash collections are up 1.6 percent from a year ago. School Aid Fund cash collections are up \$386.0 million (4.7 percent), and transportation collections are down \$76.0 million (4.2 percent). School Aid Fund collections have been affected by the change in the timing and tax rate of state education tax (SET) payments. Excluding SET payments, School Aid Fund collections are up 1.8 percent from a year ago.

The FY 2004-2005 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on May 19, 2005. The Consensus estimate for net General Fund - General Purpose revenue for FY 2004-2005 is \$7,914.7 million and the net School Aid revenue forecast is \$10,850.5 million. The Transportation Funds revenue forecast is \$2,197.4 million. The revenue projections for each tax are shown after all tax adjustments. A special revenue conference will occur on August 17, 2005. The next regularly scheduled revenue conference will be held in January 2006.

**October through July Collections
Fiscal Years 2003-04 and 2004-05**



July Revenue Collections Fiscal Years 2003-04 and 2004-05



October through July Collections Fiscal Years 2003-04 and 2004-05



Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: July 31, 2005

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JULY CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
July		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	May 2005 Consensus
Income Taxes											
\$522,342	\$517,952	(\$4,389)	-0.8%	Withholding	\$5,347,019	\$5,377,220	\$30,201	0.6%	\$6,365,100	\$6,568,700	\$6,384,500
7,699	8,854	1,155	15.0%	Quarterlies	458,669	483,023	24,355	5.3%	601,800	626,600	619,200
6,764	6,728	(36)	-0.5%	Annuals	472,802	613,251	140,449	29.7%	499,800	501,800	626,700
536,804	533,534	(3,270)	-0.6%	Gross Collections	6,278,489	6,473,494	195,005	3.1%	\$7,466,700	\$7,697,100	\$7,630,400
40,020	33,973	(6,047)	-15.1%	Less: Refunds	1,476,044	1,599,877	123,832	8.4%	1,594,200	1,674,800	1,660,700
0	0	0	na	State Campaign Fund	0	0	0	na	1,400	1,500	1,500
496,784	499,561	2,777	0.6%	Net Personal Income	4,802,445	4,873,617	71,172	1.5%	\$5,871,100	\$6,020,800	\$5,968,200
134,201	133,384	(818)	-0.6%	Less: Disbursements to SAF	1,569,622	1,618,374	48,751	3.1%	\$1,893,400	\$1,996,500	\$1,980,600
\$362,583	\$366,178	\$3,595	1.0%	NET PERSONAL INCOME TO GF-GP	\$3,232,823	\$3,255,244	\$22,421	0.7%	\$3,977,700	\$4,024,300	\$3,987,600
Consumption Taxes											
\$7,101	\$7,370	\$269	3.8%	Sales (a)	\$69,029	\$72,043	\$3,013	4.4%	\$102,200	\$119,800	\$114,000
75,195	71,255	(3,940)	-5.2%	Use	717,947	751,534	33,587	4.7%	877,400	885,800	923,700
28,045	11,590	(16,455)	-58.7%	Tobacco	236,714	99,813	(136,901)	-57.8%	242,700	119,000	119,000
5,095	5,247	152	3.0%	Beer, Wine & Mixed Spirits	42,212	41,659	(553)	-1.3%	51,500	52,000	52,000
3,341	3,399	59	1.8%	Liquor Specific	24,837	25,203	367	1.5%	33,000	31,600	33,500
\$118,776	\$98,861	(\$19,915)	-16.8%	TOTAL CONSUMPTION TAXES	\$1,090,739	\$990,252	(\$100,487)	-9.2%	\$1,306,800	\$1,208,200	\$1,242,200
Other Taxes											
\$199,201	\$165,678	(\$33,523)	-16.8%	Single Business	\$1,549,461	\$1,620,834	\$71,373	4.6%	\$1,827,600	\$1,917,500	\$1,845,700
25,728	26,267	539	2.1%	Insurance Premiums Taxes	203,239	205,595	2,356	1.2%	230,300	261,000	229,300
224,929	191,945	(32,984)	-14.7%	Sub-total SBT & Insurance	1,752,700	1,826,429	73,729	4.2%	2,057,900	2,178,500	2,075,000
5,421	2,455	(2,967)	-54.7%	Inheritance / Estate	72,211	27,696	(44,515)	-61.6%	75,500	34,000	36,000
52,291	51,946	(344)	-0.7%	Telephone & Telegraph	111,776	97,820	(13,956)	-12.5%	101,300	120,600	95,300
5,383	3,450	(1,934)	-35.9%	Oil & Gas Severance	37,912	54,836	16,925	44.6%	57,100	50,000	63,000
0	3,913	3,913	na	Casino Wagering	0	36,974	36,974	na	3,200	42,900	42,500
(4,407)	8,112	12,519	na	Penalties & Interest	93,616	93,999	383	0.4%	104,400	110,000	108,500
586	645	59	na	Miscellaneous Other/Railroad	753	804	51	6.8%	3,200	3,000	0
(7,083)	(6,667)	417	-5.9%	Treasury Enforcement Programs	(70,833)	(66,667)	4,167	-5.9%	(81,600)	(80,000)	(80,000)
\$277,120	\$255,799	(\$21,321)	-7.7%	TOTAL OTHER TAXES	\$1,998,134	\$2,071,892	\$73,758	3.7%	\$2,321,000	\$2,459,000	\$2,340,300
\$758,480	\$720,838	(\$37,642)	-5.0%	SUBTOTAL GF-GP TAXES	\$6,321,695	\$6,317,388	(\$4,308)	-0.1%	\$7,605,500	\$7,691,400	\$7,570,200

continued

Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: July 31, 2005

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JULY CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
July		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	May 2005 Consensus
Non-Tax Revenue(g)											
\$2,500	\$2,500	\$0	0.0%	Federal Aid	\$25,000	\$25,000	\$0	0.0%	\$66,100	\$30,000	\$35,000
83	83	0	0.0%	Local Agencies	833	833	0	0.0%	2,900	1,000	2,000
667	667	0	0.0%	Services	6,667	6,667	0	0.0%	17,800	8,000	18,000
1,500	1,500	0	0.0%	Licenses & Permits	15,000	15,000	0	0.0%	55,200	18,000	54,000
(4,640)	0	4,640	-100.0%	Investments/Interest Costs	(8,422)	(1,195)	7,228	-85.8%	(22,200)	(80,000)	(73,000)
5,000	5,167	167	3.3%	Misc. Non-tax Revenue	50,000	51,667	1,667	3.3%	76,100	62,000	113,200
10,000	10,083	83	0.8%	Liquor Purchase Revolving Fund	100,000	100,833	833	0.8%	139,400	121,000	133,000
3,233	3,233	0	0.0%	From Other Funds-Lottery & Escheats	32,333	32,333	0	0.0%	101,200	38,800	62,300
\$18,343	\$23,233	\$4,890	26.7%	TOTAL NON-TAX REVENUE	\$221,411	\$231,139	\$9,728	4.4%	\$436,500	\$198,800	\$344,500
\$776,823	\$744,071	(\$32,752)	-4.2%	TOTAL GF-GP REVENUE	\$6,543,107	\$6,548,526	\$5,420	0.1%	\$8,042,000	\$7,890,200	\$7,914,700
School Aid Fund											
\$218,910	\$223,695	\$4,786	2.2%	Sales Tax 4%	\$2,157,029	\$2,210,150	\$53,121	2.5%	2,635,100	2,767,300	2,705,200
173,246	175,952	2,706	1.6%	Sales Tax 2%	1,703,050	1,737,087	34,037	2.0%	2,081,600	2,188,600	2,128,200
37,598	35,628	(1,970)	-5.2%	Use Tax 2%	358,974	375,767	16,793	4.7%	439,100	442,800	461,900
17,629	15,586	(2,044)	-11.6%	State Education Property Tax	1,021,285	1,276,452	255,167	25.0%	1,824,500	1,859,700	1,851,600
31,956	28,621	(3,335)	-10.4%	Real Estate Transfer Tax	259,960	258,551	(1,409)	-0.5%	317,500	293,000	320,000
60,000	55,000	(5,000)	-8.3%	Lottery Transfer (c)	505,048	489,883	(15,165)	-3.0%	644,900	637,000	638,000
7,568	9,056	1,488	19.7%	Casino Wagering Tax	72,659	85,569	12,910	17.8%	95,800	99,300	98,400
3,271	3,354	83	2.6%	Liquor Excise Tax	24,372	24,795	423	1.7%	32,400	31,600	33,500
47,057	46,359	(698)	-1.5%	Cigarette/Tobacco Tax	397,186	399,251	2,065	0.5%	485,200	476,300	477,000
6,468	5,742	(726)	-11.2%	Indus. & Comm. Facilities Taxes	128,873	112,382	(16,492)	-12.8%	150,200	157,000	141,500
3,885	1,037	(2,848)	-73.3%	Specific Other	10,031	5,860	(4,171)	-41.6%	15,800	14,800	14,800
134,201	133,384	(818)	-0.6%	Income Tax Earmarking	1,569,622	1,618,374	48,751	3.1%	\$1,893,400	\$1,996,500	\$1,980,600
\$741,788	\$733,414	(\$8,374)	-1.1%	TOTAL SCHOOL AID FUND	\$8,208,089	\$8,594,121	\$386,031	4.7%	\$10,615,600	\$10,963,900	\$10,850,500
\$538,096	\$548,778	\$10,682	2.0%	SALES TAX 6%	\$5,298,098	\$5,420,670	\$122,572	2.3%	\$6,473,500	\$6,800,700	\$6,636,800
364,849	372,826	7,976	2.2%	SALES TAX 4%(e)	3,595,048	3,683,583	88,535	2.5%	4,391,900	4,612,100	4,508,600
173,246	175,952	2,706	1.6%	SALES TAX 2%	1,703,050	1,737,087	34,037	2.0%	2,081,600	2,188,600	2,128,200
112,793	106,883	(5,910)	-5.2%	USE TAX 6%	1,076,921	1,127,301	50,380	4.7%	1,316,500	1,328,600	1,385,600
7,568	12,969	5,401	71.4%	CASINO WAGERING TAX	72,659	122,543	49,884	68.7%	99,455	148,300	147,000
86,027	111,440	25,413	29.5%	TOBACCO TAXES	726,117	959,738	233,621	32.2%	992,800	1,177,800	1,179,200
0	0	0	na	TOBACCO SETTLEMENT	273,274	274,327	1,053	0.4%	na	na	na
7,660	0	(7,660)	na	CIGARETTE INVENTORY TAX	7,659	0	(7,659)	na	na	na	na

continued

Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: July 31, 2005

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JULY CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
July		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	May 2005 Consensus
Major Transportation Revenues											
\$12,448	\$14,568	\$2,120	17.0%	Diesel Fuel / Motor Carrier Fuel Tax (h)	\$120,517	\$121,670	\$1,153	1.0%	\$140,492	\$162,600	\$145,000
77,799	82,097	4,298	5.5%	Gasoline	764,364	759,966	(4,398)	-0.6%	932,764	968,000	935,600
73,110	64,102	(9,008)	-12.3%	Motor Vehicle Registration	794,846	725,435	(69,411)	-8.7%	934,309	830,800	857,000
6,504	5,929	(575)	-8.8%	Other Taxes, Fees & Misc.	60,103	56,649	(3,454)	-5.7%	197,237	219,736	203,301
5,810	5,821	11	0.2%	Comprehensive Transportation (d)	58,097	58,205	108	0.2%	70,117	69,846	56,546
\$175,671	\$172,517	(\$3,154)	-1.8%	TOTAL MAJOR TRANS. REVENUES	\$1,797,926	\$1,721,925	(\$76,002)	-4.2%	\$2,274,919	\$2,250,982	\$2,197,447
Lottery Sales By Games (c)											
48,712	46,366	(2,346)	-4.8%	Instant Games	568,068	545,869	(22,198)	-3.9%	na	na	na
55,823	51,921	(3,902)	-7.0%	Daily Games	602,422	590,640	(11,783)	-2.0%	na	na	na
31,827	26,143	(5,683)	-17.9%	Lotto and Big Game	262,001	246,693	(15,308)	-5.8%	na	na	na
1,074	1,041	(32)	-3.0%	Keno Game	12,318	11,005	(1,314)	-10.7%	na	na	na
0	0	0	na	Changeplay Game	88	0	(88)	-100.0%	na	na	na
20,575	26,557	5,982	29.1%	Club Games	177,280	302,936	125,656	70.9%	na	na	na
\$158,010	\$152,029	(\$5,982)	-3.8%	TOTAL LOTTERY SALES	\$1,622,178	\$1,697,143	\$74,965	4.6%	na	na	na

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b Statutory and Consensus Estimates have been adjusted to include the Tobacco tax increase (PA 164 of 2004) and Casino Tax Increase (PA 306 of 2004).

c The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

d The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

e 2% collections adjusted to reflect exemption on residential utilities.

f Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

g Non-tax revenue estimates other than interest are estimates. Federal aid total does not include the \$169 million in federal aid from federal stimulus bill in FY 2004.

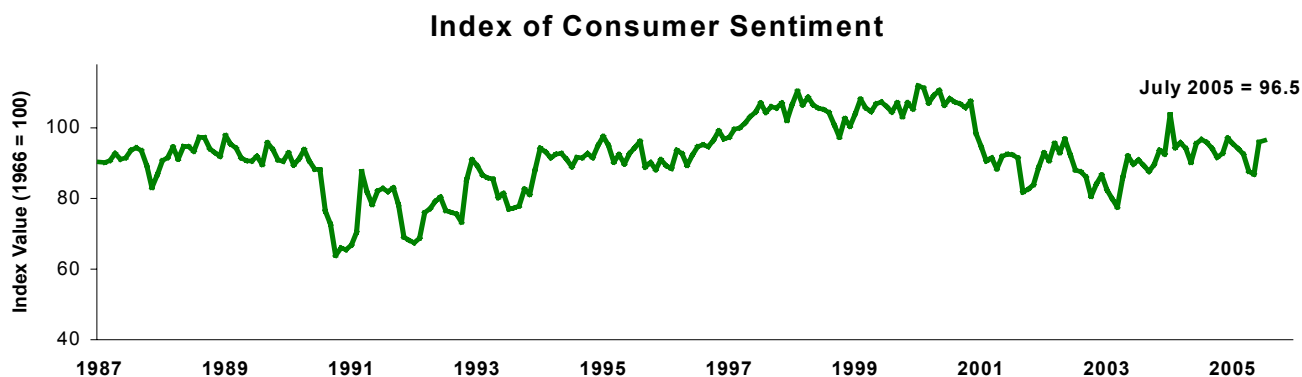
h Starting in January 2005 totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 96.5 in July, 0.5 index-points above the June value but 0.2 index-points below July 2004. On the slight increase in confidence in the July report, Survey director Richard Curtin observed, "Although this was only marginally above the 96.0 recorded in June, confidence remained substantially above the 86.9 recorded in May. Overall, consumer confidence was higher in July than anytime during the past year, and well above its historic average." Curtin reported that, "The very small additional improvement recorded in July masked two offsetting shifts: across income groups and over time. Gains were recorded among higher income households while losses were recorded among households with below median incomes; consumers judged economic prospects more favorably for the year ahead while they viewed prospects over the next five years less favorably." On rising gasoline prices, Curtin noted, "The current high level of gas prices had a much greater impact on lower income families." In July, consumers in two of four regions reported an increase in confidence. Northeastern consumers reported an increase in confidence of 6.1 index-points, while Midwestern consumers reported an increase of 2.4 index-points. Western consumers reported the largest decrease in confidence of 3.5 index-points, while Southern consumers recorded a decrease of 1.1 index-points. The gap across regions decreased from last month to 5.2 index-points, with Western consumers on top and Midwestern consumers on the bottom.

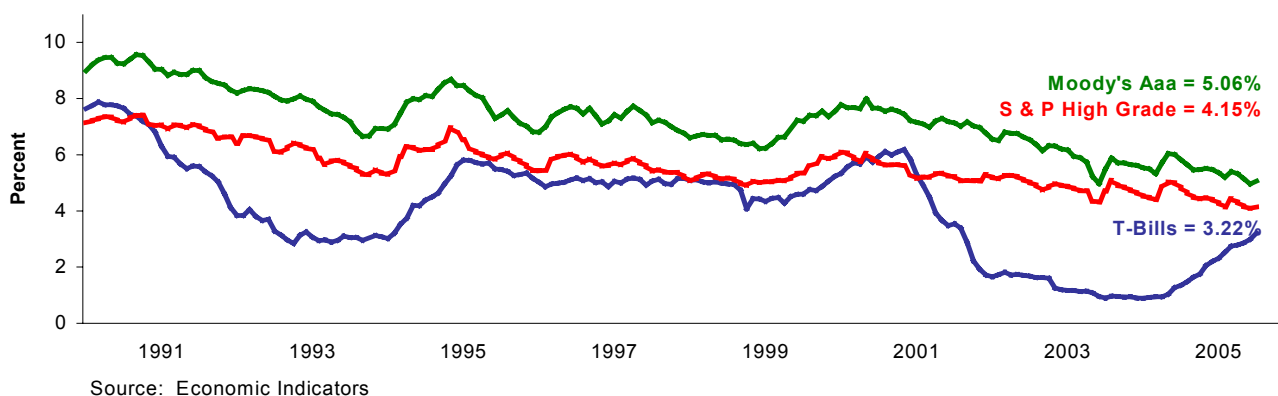
The final estimate of real **Gross Domestic Product** for the second quarter of 2005 is \$11,092.0 billion (chained 2000 dollars), an increase of 3.4 percent at an annual rate. In the first quarter of 2005, real gross domestic product increased 3.8 percent. Personal consumption expenditures, exports, equipment and software, residential fixed investment and government spending led second quarter growth. Imports, which are a subtraction in the calculation of GDP, decreased. Real personal consumption expenditures increased 3.3 percent in the second quarter compared to an increase of 3.5 percent in the first quarter. Real residential fixed investment increased 9.8 percent in the second quarter compared to an increase of 9.5 percent in the first quarter. Real nonresidential fixed investment increased 9.0 percent in the second quarter led by increased investment in equipment and software of 11.0 percent. Real federal government expenditures increased 1.3 percent in the second quarter compared to a 2.4 percent increase in the first quarter. Real state and local government spending increased 2.4 percent in the second quarter compared to a 1.6 percent increase the first quarter. Exports of goods and services increased 12.6 percent in the second quarter, compared to a 7.5 percent increase in the first quarter. Imports decreased 2.0 percent in the second quarter compared to an increase of 7.4 percent in

the first quarter. Private inventory investment fell \$6.4 billion in the second quarter, down from a \$58.2 billion increase in the first quarter. Real final sales increased at a 5.8 percent rate in the second quarter compared to a 3.5 percent rate in the first quarter. On the inflation front, the **implicit price deflator** measure estimate increased at a 2.4 percent annual rate in the second quarter, compared to an increase of 3.0 percent observed in the first quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.5 percent in July, up from no change in June. Energy increased by 3.8 percent in July; compared to a 0.5 percent decrease in June, while the all-items less food and energy component increased 0.1 percent. For the six months since January, the all-items index increased at a 4.0 percent annual rate.

Compared to July 2004, the all-items index increased 3.2 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.2 percent; housing, 3.0 percent; medical care, 4.2 percent; recreation, 0.4 percent; education and communication, 1.8 percent; and other goods and services, 2.9 percent, with tobacco prices up 4.8 percent; transportation 6.3 percent, with gasoline prices up 19.5 percent. The unadjusted decreases from one year ago were: apparel, 1.8 percent.

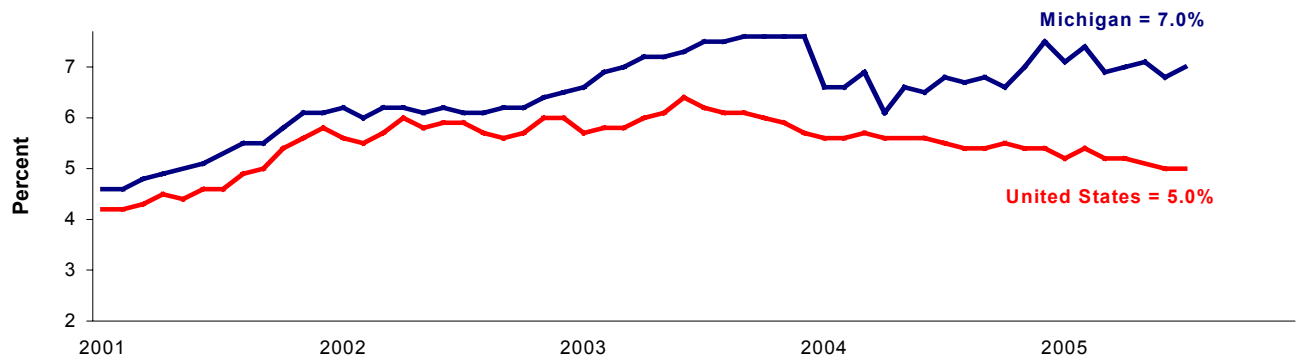
Selected Key Interest Rates



Short-term **interest rates** increased 0.23 percentage points in July as the 3-month Treasury bill (T-bill) rate averaged 3.22 percent. Compared to one year ago, the T-bill rate is up 1.87 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, increased 0.10 percentage points to an interest yield of 5.06 percent in July. Compared to one year ago, the Aaa bond yield is down 0.76 percentage points. The interest rate on High-grade municipal bonds increased 0.07 percentage points to 4.15 percent in July, and stands 0.67 percentage points below its year ago level. The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points at its August 9th meeting to 3.50 percent. The FOMC continues to believe that, “even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. Core inflation has been relatively low in recent months and longer-term inflation expectations remain well contained, but pressures on inflation have stayed elevated.” The FOMC perceives that, with appropriate monetary policy action, the upside and downside risks to the attainment of both sustainable growth and price stability should be kept roughly equal. The committee believes that, “policy accommodation can be removed at a pace that is likely to be measured.”

In July, the ***U. S. unemployment rate*** remained unchanged from a month ago at 5.0 percent and was down 0.5 percentage points from one year ago. Civilian employment totaled 142.1 million persons in July, up 0.4 million from June. The number of unemployed was 7.5 million nationwide.

Unemployment Rates 2001 - 2005

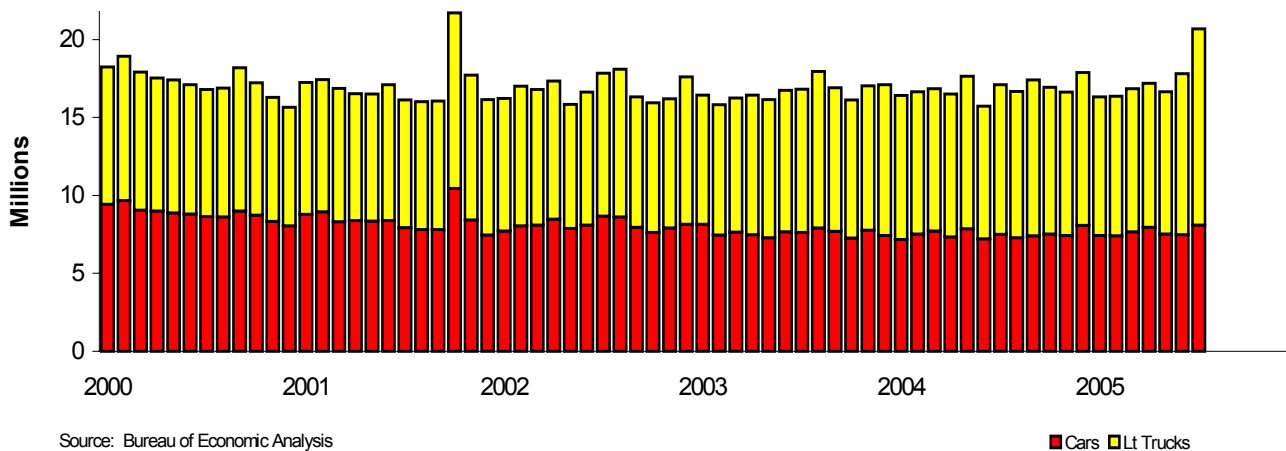


Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In July, the ***Michigan jobless rate*** increased 0.2 percentage points to 7.0 percent. Compared to a year ago, Michigan's jobless rate was 0.1 percentage points lower. From a month ago, the labor force increased by 15,000 to 5,091,000, while the number of people employed increased by 11,000 to 4,746,000. In July, there were 356,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 6.9 percent may be a better measure of actual conditions.

Motor Vehicle Sector

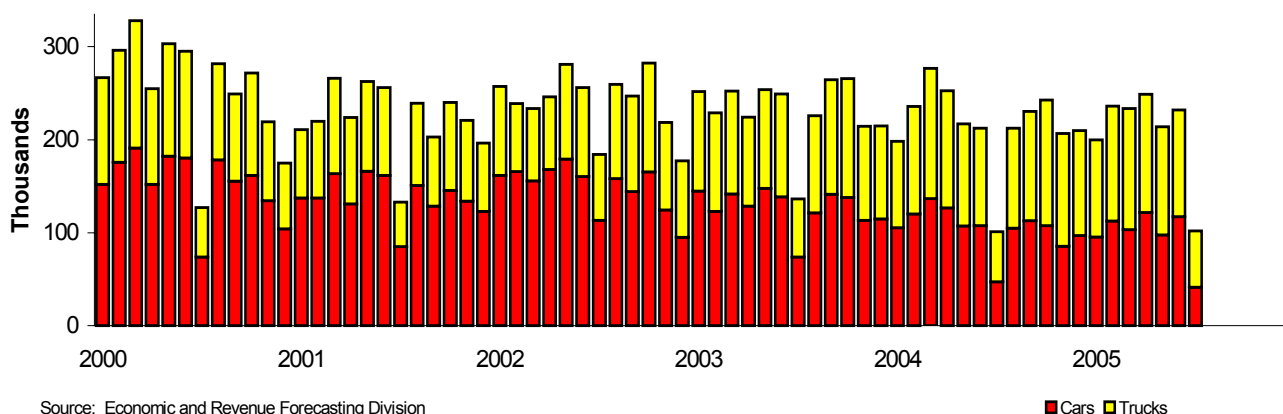
U. S. Light Vehicle Sales



U. S. light vehicle sales (cars + light trucks) increased 2.9 million units in July selling at a 20.7 million unit seasonally adjusted annual rate, the third highest rate ever. In July, the Big 3 automakers ran a successful sales incentive program, where all potential customers received the employee discount. In June, GM was the only automaker with this incentive program with Ford and Chrysler following suit in July. Domestic car sales increased 9.1 percent while domestic light truck sales increased 23.9 percent. Import car sales increased 6.2 percent while import light truck sales increased 5.3 percent. Compared to last year, light vehicle sales increased 20.9 percent. Domestic car sales were up 5.9 percent while domestic light truck sales increased 35.0 percent. Import car sales were up 12.9 percent while import truck sales rose 5.0 percent from last year. As a result, the domestic share increased 1.7 percentage points from a year ago. For fiscal year 2005, domestic light vehicles have recorded a 79.8 percent share of a 17.3 million-unit market.

Michigan motor vehicle production decreased to 101,676 units in July due to the traditional automaker summer shutdowns and vacations. From a year ago, motor vehicle production increased 1 percent in Michigan and remain unchanged nationally. In July, Michigan's car production was 41,269 units while the state's truck production was 60,407 units. Compared with a year ago, car production fell 12 percent in Michigan and decreased 1 percent nationwide. The state's truck production increased 12 percent while national truck production rose 1 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



**Summary Estimates of the Constitutional Revenue Limit
Based on the May 19, 2005 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2002-2003 Actual	Fiscal Year 2003-2004 Actual	Fiscal Year 2004-2005 Estimate
Applicable Calendar Year Personal Income	\$297,609	\$303,745	\$314,460
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,243.1	\$28,825.4	\$29,842.3
Revenue Limit	\$28,243.1	\$28,825.4	\$29,842.3
State Revenue Subject to Limit	\$24,061.6	\$24,384.7	\$24,163.9
Amount Under (Over) Limit	\$4,181.5	\$4,440.7	\$5,678.3

Sources:

Personal Income Estimate

The FY 2002-03 calculation uses the official personal income estimate for calendar year 2001 (Survey of Current Business, October 2002).

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

Revenue Subject to the Limit

The FY 2002-03 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2003.

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the May 19, 2005 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury